

**BOX ELDER MOSQUITO ABATEMENT DISTRICT**

**FINANCIAL REPORT**

**DECEMBER 31, 2005**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Box Elder Mosquito Abatement District  
Brigham City, Utah

We have audited the accompanying financial statements of the governmental activities and the major fund of Box Elder Mosquito Abatement District (the "District"), as of and for the year ended December 31, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of Box Elder Mosquito Abatement District as of December 31, 2005, and the respective changes in financial position thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis is not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 12, 2006, on our consideration of Box Elder Mosquito Abatement District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

*Wiggins & Co., PC*

Brigham City, Utah  
May 12, 2006

# **BOX ELDER MOSQUITO ABATEMENT DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**YEAR ENDED DECEMBER 31, 2005**

As management of the Box Elder Mosquito Abatement District (BEMAD), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2005. Please read it in conjunction with the accompanying basic financial statements.

### **Financial Highlights**

- Total assets exceed total liabilities (net assets) by \$1,006,544.
- Total net assets increased by \$102,049.
- Total revenues from all sources were \$786,824.
- Total revenue was \$50,270 more than the final budget and expenditures were \$1,506 more than the final budget.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$831,532 or 147% of total General Fund expenditures.
- The District currently has an outstanding long-term debt for construction of the new facility with a balance as of 12/31/05 of \$1,474,359 plus interest.

### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to BEMAD's basic financial statements. BEMAD's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

***Government-wide financial statements.*** The government-wide financial statements are designed to provide readers with a broad overview of BEMAD's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of BEMAD's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of BEMAD is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Both of the government-wide financial statements report functions of BEMAD that are principally supported by tax revenues (governmental activities). The governmental activities of BEMAD include mosquito abatement services.

***Fund financial statements.*** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. BEMAD, like other state and local government, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of BEMAD are governmental funds.

***Governmental funds.*** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

BEMAD adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

***Notes to the financial statements.*** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

## Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of BEMAD, assets exceeded liabilities by \$1,006,544 at the close of the most recent fiscal year

Approximately 15% of BEMAD's net assets reflect its investment in capital assets (e.g., land, buildings, machinery and equipment, and vehicles) less any related debt used to acquire those assets that is still outstanding. BEMAD uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. A comparison to the prior year is made available to analysis significant differences between years.

### Net Assets

	<u>12/31/2005</u>	<u>12/31/2004</u>
Current and other assets	\$ 886,383	\$ 899,713
Capital assets	1,624,378	1,782,103
Debt issuance cost	<u>37,000</u>	<u>40,000</u>
Total assets	<u>\$2,547,761</u>	<u>\$2,721,816</u>
Other liabilities	\$ 46,310	\$ 138,055
Long-term liabilities outstanding	<u>1,494,907</u>	<u>1,679,266</u>
Total liabilities	<u>\$1,541,217</u>	<u>\$ 1,817,321</u>
Net assets:		
Restricted and Invested in capital assets	150,019	113,082
Restricted	50,649	123,851
Unrestricted	<u>\$ 805,876</u>	<u>\$ 667,562</u>
Total net assets	<u>\$1,006,544</u>	<u>\$ 904,495</u>

The balance of unrestricted net assets (\$805,876) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, BEMAD is able to report positive balances in both categories of net assets.

### Governmental Activities.

The cost of all Governmental activities this year was \$684,775. Overall governmental program revenues totaled \$786,824. This includes general taxes and investment earnings.

### Changes in Net Assets

	<u>12/31/2005</u>	<u>12/31/2004</u>
Revenues:		
Program revenues:		
Charges for service	\$ --	\$ --
Operating grants and contributions		22,000
General revenues:		
Property taxes	662,376	640,199
Fee-in-lieu	105,531	104,415
Unrestricted investment earnings	15,652	15,109
Gain on sale of capital assets	<u>3,265</u>	<u>5,153</u>
Total revenues	<u>786,824</u>	<u>786,876</u>
Expenses:		
Salaries and wages	189,525	163,088
Benefits	37,379	57,135
Services, supplies and other	350,015	237,998
Environmental site monitoring	10,405	11,401
Capital outlay	19,869	18,941
Debt service	65,058	72,840
Loss on sale of capital assets	<u>12,524</u>	<u>-</u>
Total expenses	<u>684,775</u>	<u>561,403</u>
Increase in net assets	<u>102,049</u>	<u>225,473</u>
Net assets - beginning	<u>904,495</u>	<u>679,022</u>
Net assets - ending	<u>\$1,006,554</u>	<u>\$ 904,495</u>

## **Financial Analysis of the Government's Funds**

As noted earlier, BEMAD uses fund accounting to ensure the demonstrate compliance with finance-related legal requirements.

*Governmental funds.* The focus of BEMAD's *governmental funds* is to provide information on near-term inflows, outflow, and balances of spendable resources. Such information is useful in assessing BEMAD's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at eh end of the fiscal year.

As of the end of the current fiscal year, BEMAD's governmental funds reported ending fund balances of \$882,181. Approximately 94% of *this total amount or* \$831,532 constitutes unreserved, undesignated fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is designated to indicate that it is not available for new spending because it has already been committed for a variety of other restricted purposes.

The general fund is the chief operating fund of BEMAD. At the end of the current fiscal year, unreserved, undesignated (and total) fund balance of the general fund was \$882,181.

## **General Fund Budgetary Highlights**

The final appropriations for the General Fund at year-end were \$(1,506) less than actual expenditures. Actual revenues were more than the final budget by \$50,270. There was one major budget amendment and supplemental appropriations made at the final board of trustees to attempt to prevent budget overruns and to increase appropriations for unanticipated expenditures after adoption of the original budget.

## **Capital Assets**

BEMAD's investment in capital assets as of December 31, 2005 amounts to \$1,624,378 (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery and equipment, and vehicles. The total increase in BEMAD's investment in capital assets for the current fiscal year was \$44,987.

**Major capital asset events during the current fiscal year included the following:**

- The purchase of one pickup, three ATV's and one ULV fogging machine. The pickup and the three ATV's were used to replace one pickup and three ATV's that were being rotated out of the district's fleet.

**Capital Assets  
(Net of Depreciation)**

	<u>12/31/2005</u>	<u>12/31/2004</u>
Land	\$ 54,828	\$ 74,828
Buildings	1,436,515	1,577,399
Equipment (includes office equipment)	79,558	85,429
Vehicles	<u>53,477</u>	<u>44,447</u>
 TOTAL	 <u>\$1,624,378</u>	 <u>\$1,782,103</u>

Additional information on BEMAD's capital assets can be found in Note 3.

In considering the District budget for fiscal year 2006, the District Board and management estimated the budget for operating revenues and expenditures will be similar to this year minus the Capital outlay expenditures for construction.

**Request for Information**

This financial report is designed to provide a general overview of BEMAD's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director, 115 South 1050 West, Brigham City, Utah 84302.

**BOX ELDER MOSQUITO ABATEMENT DISTRICT**  
**STATEMENT OF NET ASSETS**  
**DECEMBER 31, 2005**

	<u>Governmental Activity</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 588,388
Accounts Receivable:	
Taxes	236,774
Restricted cash and cash equivalents	10,791
Inventory	50,430
Property, plant and equipment (net of accumulated depreciation)	
Land	54,828
Buildings	1,436,515
Equipment (includes office equipment)	79,558
Vehicles	53,477
Debt issuance costs (net of accumulated amortization)	37,000
<b>Total Assets</b>	<u><u>2,547,761</u></u>
<b>LIABILITIES</b>	
Accounts payable	1,544
Other payables	2,658
Interest payable	42,108
Noncurrent liabilities:	
Compensated absences	20,548
Lease payable within one year	94,084
Lease payable in more than one year	1,380,275
<b>Total Liabilities</b>	<u><u>1,541,217</u></u>
<b>NET ASSETS</b>	
Investment in capital assets, net of related debt	150,019
Restricted:	
Restricted for inventory	50,430
Restricted for new facility	219
Unrestricted:	
Unappropriated	<u>805,876</u>
<b>Total Net Assets</b>	<u><u>\$ 1,006,544</u></u>

The notes to the financial statements are an integral part of this statement.

BOX ELDER MOSQUITO ABATEMENT DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2005

FUNCTIONS/PROGRAMS	Program Revenues				Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Salaries and wages	\$ 189,525	\$ -	\$ -	\$ -	\$ (189,525)
Benefits	37,379	-	-	-	(37,379)
Services, supplies and other	350,015	-	-	-	(350,015)
Environmental site monitoring	10,405	-	-	-	(10,405)
Capital outlay	19,869	-	-	-	(19,869)
Debt service	65,058	-	-	-	(65,058)
Loss on sale of capital assets	12,524	-	-	-	(12,524)
Total governmental activities	\$ 684,775	\$ -	\$ -	\$ -	\$ (684,775)
General revenues					
Taxes					
Property taxes					662,376
Fee in lieu					105,531
Interest income					15,652
Miscellaneous revenue					3,265
Total general revenues and transfers					786,824
Change in net assets					102,049
Net assets - beginning					904,495
Net assets - ending					\$ 1,006,544

The notes to the financial statements are an integral part of this statement.

**BOX ELDER MOSQUITO ABATEMENT DISTRICT  
BALANCE SHEET  
DECEMBER 31, 2005**

	<u>Governmental Fund Type</u> <u>General Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 588,388
Receivables:	
Taxes	236,774
Restricted cash and cash equivalents	10,791
Inventory	50,430
Total assets	<u>\$ 886,383</u>
 <b>LIABILITIES AND FUND EQUITY</b>	
Liabilities:	
Accounts payable	\$ 1,544
Payroll related liabilities	2,658
Total liabilities	<u>4,202</u>
 Equity and other credits:	
Fund balances:	
Reserved for inventory	50,430
Reserved for new facility	219
Unreserved, undesignated	831,532
Total equity and other credits	<u>882,181</u>
Total liabilities and fund equity	<u>\$ 886,383</u>

The accompanying notes are an integral part of these financial statements.

**BOX ELDER MOSQUITO ABATEMENT DISTRICT  
RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUND TO THE  
STATEMENT OF NET ASSETS  
DECEMBER 31, 2005**

Total fund balances - governmental funds	\$	882,181
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Those assets consist of (net of accumulated depreciation of \$238,866):

Land		54,828
Buildings		1,436,515
Equipment (includes office equipment)		79,558
Vehicles		53,477
Debt issuance costs (net of accumulated amortization)		37,000
		1,661,378

Some liabilities, including bonds payable and capital leases, are not due and payable in the current period and therefore are not reported in the funds.

Those liabilities consist of:

Interest payable		(42,108)
Compensated absences		(20,548)
Lease payable		(1,474,359)
		(1,537,015)

Net assets of the governmental unit	\$	1,006,544
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The accompanying notes are an integral part of these financial statements.

**BOX ELDER MOSQUITO ABATEMENT DISTRICT  
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Governmental Fund Type <u>General Fund</u>
<b>Revenues:</b>	
Taxes	\$ 662,376
Fee in lieu	105,531
Total revenues	<u>767,907</u>
<b>Expenditures:</b>	
Mosquito Abatement Services	
Salaries and wages	183,669
Benefits	37,379
Services, supplies and other	270,221
Environmental site monitoring	10,405
Capital outlay	64,857
Total expenditures	<u>566,531</u>
<b>Excess of revenues over (under) expenditures</b>	<u>201,376</u>
<b>Other financing sources (uses):</b>	
Debt principal payments	(190,215)
Interest income	15,652
Sale of fixed assets	122,043
Selling expenses of fixed assets	(11,649)
Miscellaneous revenue	3,265
Interest expense	(67,490)
Total other sources	<u>(128,394)</u>
<b>Excess of revenues and other sources over (under) expenditures</b>	72,982
<b>Fund balance, January 1</b>	<u>809,199</u>
<b>Fund balance, December 31</b>	<u>\$ 882,181</u>

The accompanying notes are an integral part of these financial statements.

**BOX ELDER MOSQUITO ABATEMENT DISTRICT**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUND TO THE STATEMENT**  
**OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

Amounts reported for governmental activities in the statement of activities are difference because:

Net change in fund balances - total governmental fund	\$ 72,982
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation (\$79,794) exceeded capital outlays (\$44,987) in the current period.	(34,807)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.	(122,918)
Accrued interest on long-term debt reported in the statement of activities does not require the use of current financial resources and therefore is not reported as expenditures in governmental funds. This is the current year change in the liability, reported as expense in the statement of activities.	5,433
The liabilities for compensated absences is not recorded in the governmental funds, but is reported in the statement of net assets. This is the current year change in the liability, reported as expense in the statement of activities.	(5,856)
The issuance of long-term debt (e.g., leases) provides current financial resources to governmental funds, while the repayments of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This is the amortized amount charged to expense on the statement of activities.	187,215
Change in net assets of governmental activities	<u>\$ 102,049</u>

The accompanying notes are an integral part of these financial statements.

**BOX ELDER MOSQUITO ABATEMENT DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET**  
**(GAAP BASIS) AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final	Amount	
<b>Revenues:</b>				
Taxes	\$ 613,000	\$ 613,029	\$ 662,376	\$ 49,347
Fee in lieu	97,000	104,608	105,531	923
Intergovernmental revenue	-	-	-	-
<b>Total revenues</b>	<b>710,000</b>	<b>717,637</b>	<b>767,907</b>	<b>50,270</b>
<b>Expenditures:</b>				
Salaries	192,187	185,264	183,669	1,595
Benefits	35,891	37,166	37,379	(213)
Services, supplies and other	271,051	267,234	270,221	(2,987)
Environmental site monitoring	16,000	10,405	10,405	-
Capital outlay	45,500	64,956	64,857	99
<b>Total expenditures</b>	<b>560,629</b>	<b>565,025</b>	<b>566,531</b>	<b>(1,506)</b>
<b>Excess of revenues over (under) expenditures</b>	<b>149,371</b>	<b>152,612</b>	<b>201,376</b>	<b>48,764</b>
<b>Other financing sources (uses):</b>				
Debt principal payments	(85,000)	(185,705)	(190,215)	(4,510)
Interest income	7,000	12,000	15,652	3,652
Miscellaneous revenue	-	-	3,265	3,265
Sale of fixed assets	110,000	110,394	122,043	11,649
Selling expenses	-	-	(11,649)	(11,649)
Interest expense	(72,000)	(72,000)	(67,490)	4,510
<b>Total other sources</b>	<b>(40,000)</b>	<b>(135,311)</b>	<b>(128,394)</b>	<b>6,917</b>
<b>Excess of revenues and other sources over (under) expenditures</b>	<b>109,371</b>	<b>17,301</b>	<b>72,982</b>	<b>55,681</b>
Fund balance, January 1	809,199	809,199	809,199	-
<b>Fund balance, December 31</b>	<b>\$ 918,570</b>	<b>\$ 826,500</b>	<b>\$ 882,181</b>	<b>\$ 55,681</b>

The accompanying notes are an integral part of these financial statements.

**BOX ELDER MOSQUITO ABATEMENT DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The District operates under a Governing Board and provides mosquito abatement services to citizens of Box Elder County, Utah.

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

**A. Reporting Entity**

The District applies the criteria of GASB codification section 1200 to define the scope of the reporting entity. Consideration is given to various factors, including oversight and financial responsibility. Based upon the application of this criteria, the financial statement include all funds which collectively are referred to as the financial reporting entity of the District. No entities were determined to be component units of the District.

**B. Government-wide and Fund Financial Statements**

**Government-wide Financial statements.** The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information about the District, the primary government, as a whole.

**Fund Financial Statements.** Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements. There are no enterprise funds or fiduciary funds in the District.

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

**Basis of accounting** refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

**Government-wide Financial Statements.** The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The use of financial resources to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term debt are reported as a reduction of the related liability, rather than an expenditure in the government-wide financial statements.

**Governmental Fund Financial Statements.** Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. "Measurable" means that amounts can be reasonably determined within the current period. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

BOX ELDER MOSQUITO ABATEMENT DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)**

Property taxes are recorded when levied. Property taxes which have not been collected within 60 days, and therefore do not meet the "available" criterion, are reported as deferred revenue until collected. Anticipated refunds of such taxes are recorded as liabilities and reductions of revenue when they are measurable and their validity seems certain.

Grant revenue is recognized when qualified expenditures are incurred and a contractual claim exists with the grantor agency. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Exceptions to this general rule include principal and interest on long-term debt as well as expenditures related to compensated absences, which are recognized when payment is due.

The District reports the following major governmental funds:

General Fund - The General Fund accounts for all activities of the District. The principal source of revenue for this fund is property taxes.

**D. Budgets**

Budgets are legally adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for funds. All annual appropriations lapse at fiscal year end.

The District operates within the budget requirements as specified by State law. The financial reports reflect the following budgetary standards.

1. By the first regular scheduled board meeting in November, the manager submits to the Board of Directors a proposed operating budget for the fiscal year commencing the following January 1st. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. By December 15th, the budget is legally enacted through passage of an ordinance.
4. The Board of Directors approves, by ordinance, total budget appropriations only. The manager is authorized to transfer budget amounts between departments within the fund; however, any revisions that alter the total appropriations of any fund must be approved by the Board of Directors. The District must hold a hearing to alter the total expenditures of the General Fund. Therefore, the level of budgetary responsibility is total appropriations; however, for report purposes, this level has been expanded to functional basis (salaries, materials, etc.).
5. Unused appropriations for all of the above annually budgeted funds lapse at the end of the year.
6. The budget amounts shown in the financial statements are the final authorized amounts as amended during the year.
7. The actual expenditures in the General Fund exceeded the approved budget for the year.

BOX ELDER MOSQUITO ABATEMENT DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Cash and Cash Equivalents**

The District's cash and cash equivalents are considered to be cash-on-hand, demand deposits and short-term investments with original maturities of three months or less from the date of the acquisition for purposes of this note. Restricted cash consists of cash accounts that are restricted for a specific use due to constraints imposed by external parties or enabling legislation. When both restricted and unrestricted sources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

**F. Interfund transactions**

There are no other funds and thus no interfund transfers.

**G. Private-sector Standards of Accounting and Financial Reporting**

The Association generally applies to the government-wide financial statements all *Financial Accounting Standards Board (FASB)* Statements and Interpretations, APB Opinions, and Accounting Research bulletins issued on or before November 30, 1989, to the extent that those standards do not conflict with or contradict guidance of the *Governmental Accounting Standards Board (GASB)*. The District has elected not to follow private-sector guidance subsequent to that date.

**H. Capital Assets**

Capital assets include land, buildings, equipment, office equipment, and vehicles. These assets are reported in the government-wide financial statements in the relevant column on the Statement of Net Assets under governmental activities. Capital assets acquired by governmental funds are recorded as expenditures in the governmental fund financial statements. The capitalization threshold for personal property is defined to be assets with a useful life of at least one year and costing at least \$1,000; real property thresholds vary by type of asset, but are generally established at the same amount. Assets purchased or constructed are generally recorded at cost. If precise cost is not available, the asset is recorded at estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donations.

When constructing capital assets, interest expense incurred relating to governmental activities is not capitalized. During 2004 no interest was capitalized.

Depreciation of all exhaustible capital assets is charged to the various functional expenses in the government-wide Statement of Activities. Accumulated depreciation is reported on government-wide Statements of Net Assets. Depreciation is provided over the estimated useful lives using the straight-line method. Estimated useful lives are as follows:

Buildings	30-40 years
Equipment	5-20 years
Office equipment	5-15 years
Vehicles	5-10 years

BOX ELDER MOSQUITO ABATEMENT DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**I. Compensated Absences**

It is the District's policy to permit employees to accumulate earned but unused vacation benefits. An estimate of vacation pay is accrued when incurred in government-wide financial statements and reported as a liability. A liability for these amounts is reported in the governmental funds only if benefits have matured as a result of employee resignations and retirements.

**J. Long-term liabilities**

In the government-wide financial statements, long-term debt is reported as a liability. Premiums and discounts, defeasance costs, (the difference between the carrying amount of the defeased debt and its reacquisition price in debt refundings), as well as issuance costs, are deferred and amortized over the life of the debt.

In the fund financial statements, governmental funds recognize premiums and discounts, as well as debt issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**K. Net Assets/Fund Balances**

The difference between assets and liabilities is "Net Assets" on the government-wide and "Fund Balance" on the governmental fund financial statements. Net assets are divided into invested in capital assets (net of related debt), restricted, and unrestricted. Net assets are reported as restricted when constraints are placed upon them by external parties or are imposed by constitutional provisions or enabling legislation.

In the governmental fund financial statements, fund balances are classified as reserved, unreserved designated, or unreserved undesignated. Reserves represent those portions of fund balance not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

**L. Property Taxes**

Property taxes are attached as an enforceable lien on property as of January 1. Taxes are levied on June 22 for the next fiscal year beginning July 1 and are due November 30. District property tax revenues are not recognized when levied, because they are not expected to be collected within 60 days after the end of the current year. This policy meets the criteria of GASB.

**M. Inventories**

Inventories are stated at the lower of cost or market, determined on a first-in, first-out basis. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

BOX ELDER MOSQUITO ABATEMENT DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005

**NOTE 2. CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2005, was as follows:

	Beginning Balance (As Restated)	Additions	Deletions	Ending Balance
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 74,828	\$ -	\$ (20,000)	\$ 54,828
Total capital assets not being depreciated	<u>74,828</u>	<u>-</u>	<u>(20,000)</u>	<u>54,828</u>
Capital assets being depreciated:				
Buildings	1,597,687	1,032	(110,000)	1,488,719
Equipment (includes office equipment)	123,077	22,372	(26,289)	119,160
Vehicles	191,882	21,583	(12,928)	200,537
Total capital assets being depreciated	<u>1,912,646</u>	<u>44,987</u>	<u>(149,217)</u>	<u>1,808,416</u>
Less accumulated depreciation				
Buildings	(20,289)	(47,193)	15,278	(52,204)
Equipment (includes office equipment)	(37,648)	(20,047)	18,093	(39,602)
Vehicles	(147,434)	(12,554)	12,928	(147,060)
Total accumulated depreciation	<u>(205,371)</u>	<u>(79,794)</u>	<u>46,299</u>	<u>(238,866)</u>
Total capital assets being depreciated, net	<u>1,707,275</u>	<u>(34,807)</u>	<u>(102,918)</u>	<u>1,569,550</u>
Governmental activity capital assets, net	<u>\$ 1,782,103</u>	<u>\$ (34,807)</u>	<u>\$ (122,918)</u>	<u>\$ 1,624,378</u>

Depreciation expense was charged to functions as follows:

Governmental activities:	
Services, supplies and other	\$ 79,794
Total depreciation expense - governmental activities	<u>\$ 79,794</u>

**BOX ELDER MOSQUITO ABATEMENT DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

**NOTE 3. RETIREMENT PLANS**

**Plan Description.** The District contributes to the Local Governmental Noncontributory Retirement System, which is a cost-sharing multiple-employer defined benefit pension plan administered by the Utah Retirement Systems (Systems). Utah Retirement Systems provide retirement benefits, annual cost of living allowances, death benefits and refunds to plan members and beneficiaries in accordance with retirement statutes established and amended by the Utah State Legislature.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 (Chapter 49) as amended, which also establishes the Utah State Retirement Office (Office) for the administration of the Utah Retirement Systems and plans. Chapter 49 places the Systems, the Office and related plans and programs under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Systems and Plans. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, Utah 84102 or by calling 1-800-365-8772.

**Funding Policy.** In the Local Governmental Noncontributory Retirement System, the District is required to contribute percentage of their annual covered salary. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board. The percentage required from January - June 2005 was 11.09% and from July - December 2005 was also 11.09%.

The District contributions to the Noncontributory Retirement System for December 31, 2005, 2004, and 2003 were \$15,324, \$11,139, and \$8,656 respectively. The contributions were equal to the required contributions for each year.

The District also allows all eligible employees to participate in a 401-k deferred compensation arrangement. The District participates by contributing a present percentage of 3%. Eligible compensation is the same as that for the USRS Noncontributory System. The amount paid by the District during the year ended December 31, 2005, was \$4,145. Employees contributed \$2,259 to this plan during the year ended December 31, 2005.

BOX ELDER MOSQUITO ABATEMENT DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005

**NOTE 4. REAL PROPERTY LEASE AND OTHER LONG TERM LIABILITIES**

The District entered into a \$1,750,000 Real Property Lease Purchase agreement dated April 8, 2003. The agreement was necessary for the District to construct new operational facilities. This lease agreement qualifies as a capital lease for accounting purposes, and, therefore, have been recorded at the present value of its future minimum lease payments as of the inception date. The agreement requires annual payments of \$156,955, including interest at a rate of 4.15% through April 15, 2013, then a rate of 3.8% through April 15, 2018. The District prepaid \$100,000 on the note balance in 2005, thereby reducing the amount of principal that will be required in 2018. The future minimum lease payments are as follows:

2006	156,956
2007	156,956
2008	156,956
2009	156,956
2010-2014	784,777
2015-2017	470,865
2018	17,784
	<u>1,901,250</u>
Less amount representing interest	<u>(426,891)</u>
Real Property Lease principal	<u>\$ 1,474,359</u>

The assets acquired through capital lease are the land and building at \$51,428 and \$1,488,718, respectively. Accumulated depreciation and depreciation expense on the building is \$52,203 at December 31, 2005.

Interest expense for the year ended December 31, 2005, was \$66,740.

Changes in long term debt for 2005 were as follows:

	Real Property Lease	Compensated Absences
Long-term debt at December 31, 2004	\$ 1,664,574	\$ 14,692
Payments on Real Property Lease	(190,215)	
Changes in compensated absences		5,856
Long-term debt at December 31, 2005	<u>\$ 1,474,359</u>	<u>\$ 20,548</u>

The obligation for compensated absences arises from the accrual of unused vacation time provided for eligible employees.

BOX ELDER MOSQUITO ABATEMENT DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005

**NOTE 5. CASH AND INVESTMENTS**

**Deposits.** At December 31, 2005, the carrying amounts of the District's deposits were \$3,150 and the bank balance was \$10,752. All of the bank balance was covered by Federal Depository Insurance. Deposits are not collateralized nor are they required to by state statute.

The District follows the requirements of the Utah Money Management Act (Utah Code Annotated 1953, Section 51, Chapter 7) in handling its depository and temporary cash and investment transactions. This law requires the depositing of funds in a "qualified depository". The Act defined a "qualified depository" as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules to the Utah Money Management Council.

Cash and cash equivalents on December 31, 2005, consisted of the following:

	Carrying Amount	Fair Value
Utah State Public Treasurer's Investment Fund (PTIF)	\$ 595,929	\$ 595,929
Cash in bank	3,150	3,150
Petty cash	100	100
	<u>\$ 599,179</u>	<u>\$ 599,179</u>

The PTIF account has a maturity of less than 1 year and is not rated for quality purposes.

Cash and cash equivalents are shown on the Statement of Net Assets as follows:

Unrestricted cash	\$ 588,388
Restricted cash	<u>10,791</u>
	<u>\$ 599,179</u>

The District does not have a formal investment policy. The District, however, invests the majority of its excess funds in the Utah Public Treasurer's Investment Fund (UPTIF). The UPTIF permits the District to withdraw funds one day after giving withdrawal notification.

The custodial risk for investments is the risk that in the event of default or failure of the counterparty, the District will not recover the value of its investment or collateral securities that are in the possession of an outside party. The District has no formal policy dealing with custodial credit risk.

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The District has no formal policy dealing with interest rate risk.

The Utah Public Treasurer's Investment Fund is an external deposit and investment pool wherein governmental entities are able to pool the monies from several entities to improve investment efficiency and yield. These monies are invested primarily in money market securities and contain no withdrawal restrictions. As such, the monies invested in this fund are not insured and are subject to the same market risks as any similar investment in money market funds. the Fund investments must comply with the provisions of the Utah Money Management Act. The Fund is not SEC registered. The fair value of the District's position in the fund is the same as the value of fund shares.

**BOX ELDER MOSQUITO ABATEMENT DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

**NOTE 6. COMMITMENTS AND CONTINGENCIES**

The District is contingently liable for site cleanup costs associated with the contamination of the old facility (sold in 2005) immediately around the old warehouse and office structure. The District is cooperating with the Utah State Department of Environmental Quality and has engaged specialists to construct an environmental risk assessment plan, which has been submitted to the State. As of the date of our report, the District's risk assessment plan has not been processed by the State. Until the District's plan is approved or disapproved it is unknown exactly what the District's liability will be, but could be \$10,000 to \$14,000 annually for the next 30 years. The costs incurred to date are reported as environmental remediation expenditures in the financial statements.

BOX ELDER MOSQUITO ABATEMENT DISTRICT

MANAGEMENT REPORT

FOR THE YEAR ENDED DECEMBER 31, 2005

**BOX ELDER MOSQUITO ABATEMENT DISTRICT  
FOR THE YEAR ENDED DECEMBER 31, 2005**

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

To the Governing Board  
Box Elder Mosquito Abatement District

We have audited the financial statements of the governmental activities and the major fund of Box Elder Mosquito Abatement District as of and for the year ended December 31, 2005, which collectively comprise the Box Elder Mosquito Abatement District's basic financial statements and have issued our report thereon dated May 12, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Box Elder Mosquito Abatement District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Box Elder Mosquito Abatement District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the management and governing board and is not intended to be and should not be used by anyone other than these specified parties

*Wiggins & Co., PC*

Brigham City, Utah

May 12, 2005



## INDEPENDENT AUDITORS' REPORT ON STATE LEGAL COMPLIANCE

To the Governing Board  
Box Elder Mosquito Abatement District

We have audited the financial statements of the governmental activities and the major fund of Box Elder Mosquito Abatement District as of and for the year ended December 31, 2005, which collectively comprise the Box Elder Mosquito Abatement District's basic financial statements and have issued our report thereon dated May 12, 2006.

The District did not receive any major State grants during the year ended December 31, 2005.

Our audit also included testwork on the District's compliance with the following general compliance requirements identified in the State of Utah Legal Compliance Audit Guide:

- Cash Management
- Purchasing Requirements
- Budgetary Compliance
- Property Tax
- Special Districts
- Other Compliance Requirements

The management of the Box Elder Mosquito Abatement District is responsible for the District's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed no instances of material noncompliance with the requirements referred to above.

In our opinion, the Box Elder Mosquito Abatement District, complied, in all material respects, with the general compliance requirements identified above for the year ended December 31, 2005.

*Wiggins & Co., PC*  
Brigham City, Utah  
May 12, 2006

**BOX ELDER MOSQUITO ABATEMENT DISTRICT  
SCHEDULE OF FINDINGS, RECOMMENDATIONS AND RESPONSES  
FOR THE YEAR ENDED DECEMBER 31, 2005**

**STATE LEGAL COMPLIANCE FINDINGS**

**05-01. TRUTH IN TAXATION**

**Finding:**

Per the minutes there is no mention of the setting of the 2005 tax rate. The rate was properly reported to the County Auditor.

**Recommendation**

We recommend that the District approve the rate that is sent to them by the State and make mention of such in their minutes.

**Response**

The District agrees with this recommendation. The General Manager will be appointed by Board to set the certified tax rate at the rate certified by the County Auditor and will document this in the minutes.

**05-02. TRUTH IN TAXATION**

**Finding:**

The Tax Commission requires the filing of form TC-693 *Tax Rate Summary*. The form includes a column "Budgeted Revenue." The amounts in that column should be the same as the revenue amounts in the entity's adopted budget. Per examination of the District's form TC-693, the budgeted revenue amount was \$835,229, which didn't match the original (\$827,000) or final budget (\$840,031) amounts.

**Recommendation:**

We recommend that the District ensure that the amount reported on the TC-693 reported to the State Tax Commission at least match their original budgeted revenue amount.

**Response:**

The District agrees with this recommendation and will ensure compliance in the future.

**BOX ELDER MOSQUITO ABATEMENT DISTRICT  
SCHEDULE OF FINDINGS, RECOMMENDATIONS AND RESPONSES  
FOR THE YEAR ENDED DECEMBER 31, 2005**

**STATE LEGAL COMPLIANCE FINDINGS (CONTINUED)**

**05-03 BUDGETS**

**Finding:**

We noted that the final audited expenditures exceed the final approved budget by \$1,506. State statutes require that actual expenditures not exceed the final approved budget.

**Recommendation:**

We recommend that the District Board and management personnel use the budget as a management monitoring tool and that final amendments include enough leverage to cover potential year end audit adjustments.

**Response:**

The District agrees with this recommendation and will implement the recommendation.

**OTHER FINDINGS**

**05-04. NEW DEDICATED RESERVES PTIF ACCOUNT**

**Finding:**

During November 2005 the District opened a new PTIF account entitled "Dedicated Reserves". There was no mention of this account and the authorization of its opening in the District's minutes.

**Recommendation:**

We recommend that the District ensure that any discussion regarding the opening or closing of new accounts be documented in the District's minutes.

**Response:**

The District agrees with this recommendation and will document such items in the minutes in the future.